Stateline

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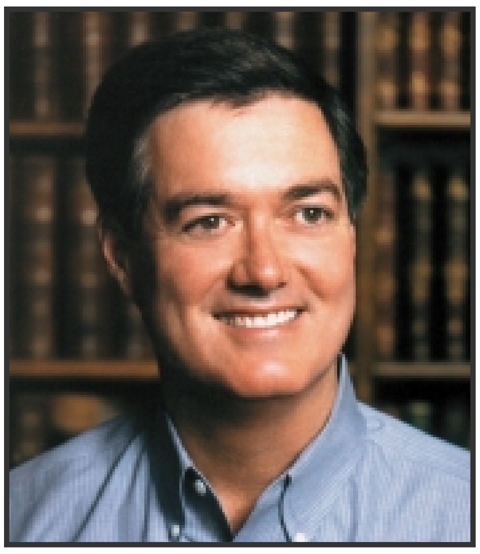

Prioritizing Colorado's Budget

by Governor Bill Owens

Last month, I released details of a proposed state budget for fiscal year 2003-04 prioritizing funding for education, prison safety and youth programs. It focuses on the essential functions of state government and because it calls for only a 2.7 percent increase of the General Fund budget, I believe it offers a responsible and realistic spending plan in what will continue to be a challenging economic environment.

Overall, the proposed budget calls for a 15.9 percent growth in the Department of Public Health and Environment (DPHE) and a 7.5 percent increase in funding for the Department of Corrections. Included in the DPHE budget is restoring $4 million to the Tony Grampsas Youth Services fund. My commitment was to fund the Tony Grampsas youth grants as soon as revenue became available. The four million dollar budget I am proposing for these grants next year will help at-risk youth and families statewide. The largest funding decrease is in the Governor's office, down 4.8 percent.

I have also asked the General Assembly to fully fund K-12 education, increasing the state's share of total program education funding by 5.3 percent, or $129 million. This is the fifth consecutive budget in which I have proposed full funding for K-12 education, a commitment that began prior to the passage of Amendment 23.

Other priorities include increasing funding for the developmental disabilities program by $6 million, including a $1.6 million increase to fund services for an additional 50 citizens, and a $1.7 million increase in funding for child welfare programs.

While slight increases in state revenue are expected next fiscal year, the budget for this year still faces additional reductions of $330 million to $390 million. I look forward to working in partnership with the Legislature as we address the difficult challenge of balancing this year's budget. There are two inflexible facts: Colorado's Constitution requires a balanced budget, and revenue was off 13 percent last year. We must resist spending on items we simply can't afford.

My proposals to further reduce state spending include delaying the payback of the controlled maintenance trust fund by one year, reducing the transfer to the capital construction fund and shifting the pay date for state employees by one day. Shifting the pay date would save the State $268 million in total funds ($134 million in the General Fund) and prevent at least 2,300 layoffs.

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International Trade Office Boosts Colorado Business

by Laurel Alpert
Senior Deputy Director, CITO

One of the largest growth areas for today's business continues to be international markets. It is not uncommon to find an American business with a significant presence overseas. To find help in these markets, many Colorado companies turn to the Colorado's International Trade Office (ITO) for guidance.

The ITO helps state companies export their products and services, and it helps attract foreign investment that will create jobs for state residents. ITO is part of the Colorado Office of Economic Development & International Trade under the Governor's Office. During FY'02, ITO worked one-on-one with over 600 Colorado companies.

Governor Owens and Kevin Palans of Orange Glo International, at the CostCo in Monterrey, Mexico.

The office helps companies export by counseling on foreign market entry strategies, researching potential markets, and identifying business contacts – including arranging meetings with potential agents, distributors or end-users. It also develops initiatives to increase exports by working with organizations in other countries and encouraging them to bring groups to Colorado to buy products or services. ITO provides this assistance through the Colorado staff and small contract offices in Mexico, Japan and Germany (serving Europe).

Governor Owens, with organizational assistance from ITO, has led trade missions to promote Colorado exports and foreign investment in the state. Colorado companies participating in last year's mission to Mexico reported approximately $5 million in sales as a result of the trip.

Most of the companies using ITO services are small, and they are spread throughout the State. International sales can help strengthen a company's bottom line. With the rise of the Internet, it is more common than ever for companies to be faced with an order from another country, with all of the benefits – and possible risks – that this could involve.

ITO also helps attract foreign investment, an important source of new economic development. As an example, this past fiscal year ITO worked with a Canadian firm, CAE, when it had to decide between Colorado and two other States for the location of its new U.S. pilot training facility. The company chose a location near DIA. In addition to the people hired by CAE, the company will bring approximately 4,000 trainees and instructors to the area each year, with an estimated annual impact of $4 million to the local economy in terms of hotels, meals and cars alone.

For further information about the Colorado International Trade Office, please call **303-892-3850** or on the web at **www.state.co.us/oed/ito**.

A Season of Giving

by Randi Blatt
C-SEAP, Director

It's that time of year again: a time to remember those less fortunate, a time to give in ways that make a difference, a time to count our blessings. Thanks to the generosity of the Colorado State Employee's Credit Union (CSECU), C-SEAP is able to offer food and financial assistance to state employees in need, especially during the holiday season.

Every year, CSECU sponsors a food drive during the months of November and December in order to collect non-perishable food items for the C-SEAP Food Bank as well as monetary donations for the C-SEAP Emergency Fund. (The Emergency Fund does not receive state funding and relies solely on donations.) Please take the time to drop off non-perishable foods or monetary contributions to any of the eleven CSECU office locations between now and December 18th. Many state worksites have collection points as well. Look for the bright red bins!

Needed items include: macaroni and cheese, cereal, canned pasta, tuna fish, soup, pasta, rice,

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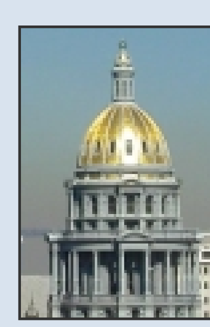

State Employees Have Much for Which to be Thankful

by Jeff Schutt
Director of the Division of Human Resources, DPA

I have received numerous emails from around the State concerning the Governor's decision not to grant the additional day off this year around the holidays. I too am disappointed not to have this additional holiday, and I understand the potential impact this decision could have on employee morale. This decision will, however, create real savings.

We have many hundreds of "direct care" employees and others doing essential functions that have to be covered even on this day. For example, in the Department of Human Services, Mental Health Institutes, other employees must cover patient caregivers when they are off. This means that the State is paying for employees to be on administrative leave while it is paying for relief coverage or overtime to cover their essential duties. Many other assignments, such as correctional officers and state patrol officers, also must be covered.

An employee who emailed me said it best, calling this day an "extra paid holiday." This has been a bonus for all of us that the State simply cannot afford during this tough financial time. Mark Gelband, a member of my staff, offered me the following analogy: "Suppose you had a friend for the past ten years who was doing well and gives you a really great gift every year for the holidays. This year she tells you, 'sorry, I just cannot afford to do it this year.' What would you say?" Most people would understand.

I appreciate the many comments and concerns about morale. Morale is an issue, and this is a difficult concession that we all must make. It is, however, part of a much bigger picture, part of the economic reality we face today. As we move forward, I think we have to look at this in light of the bigger picture.

The Governor's recent proposal to shift payday from the last working day of the month to the first working day of the month is another concession. While this may cause employees some inconvenience, it is a money-saving option that offers the least possible impact on state citizens, services, and employees. Without this concession policy makers will have to find approximately $250 million, plus additional cuts. Those cuts, if necessary, will hurt much worse.

I think it's extremely important around Thanksgiving and the holiday season to view our situation in a broader perspective. Think about your friends and family. Think about people in our state community – laid-off workers from the telecom, technology and other business sectors; ranching families and rafting businesses hit hard by the drought; people who lost their homes or businesses in this summer's fires.

Maybe you know someone at United Airlines, someone who has been there for twenty plus years. Employees there are being asked to make difficult, often painful concessions and fearing layoffs, and they don't even know if the company will remain in business.

Think about state workers in Tennessee forced into mandatory furloughs, in California, Virginia, Iowa, Florida, New Jersey and so many other States that are losing their jobs in droves. Think about state employees here who may possibly lose their jobs. This is the reality.

It is by no means a cheerful reality. But that isn't my point – to simply note how difficult it currently is for all workers; state employees included. Rather, the point is, that as the State asks for some sacrifices, be sure to notice to what lengths each proposal is made to minimize the impact on employees and services. I cannot speak for any of you, but I would prefer to make such concessions if it means saving one state employee's job or helping ensure that the neediest in our communities can get the services they rely upon.

Health Insurance Frequently Asked Questions

Q: Would my rates be lower if I received my health insurance directly from a private insurance company even if it is the same company the State uses?

A: When you go out and purchase insurance in the private market, you are purchasing an individual policy. An individual policy and a group policy (which the state purchases) are governed by vastly different insurance regulations. An individual policy does not cover pre-existing conditions. Individual policies can either place a limitation on pre-existing conditions such that it will not cover the pre-existing condition for a certain period of time (e.g., 12 months) even though you are paying the full premium or it can place an exclusion on the pre-existing condition stating that the individual policy will never cover that condition even though you are paying the full premium. The State's group policy does not limit or exclude pre-existing conditions. Each employee has the ability to enroll either at the time of hire or during open enrollment and the healthcare plan the employee enrolls in must take that person and accept their pre-existing conditions. Individual plans are not required to cover healthcare mandates - group policies are required to cover healthcare mandates. Individual policies may place limits on the number of services that they cover over specified periods of time - e.g., they will cover only three office visits per quarter and after that the insured is required to cover any additional visits out of their own pocket. Group policies do not include these same types of limits. Individual policies will normally have maximum amounts of coverage that they provide for an individual over a lifetime - e.g., $250,000 lifetime maximum; the State's group policy's lifetime coverage is unlimited. There are many differences between individual and group policies. Though individual policies may appear

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Pay Day Change Will Help Avoid Layoffs

By Jennifer Okes
Chief Financial Officer, DPA

As most of you know, the State is facing difficult budget challenges for FY 2002-'03. Governor Owens has taken a number of steps (including reductions to all Executive Branch department's General Fund expenditures) to address the shortfall. However, based on current revenue projections by the Office of State Planning and Budgeting (OSPB) and Legislative Council, further reductions are necessary to balance the budget as required by the State's Constitution. In all the reductions taken to date and suggested reductions, the Governor has carefully tried to minimize the impacts on state citizens, services and the state workforce.

The Governor's recent proposal of shifting the pay date for state government employees from the last working day of the month to the first working day of the month has generated questions and concerns from state employees. The Office of State Planning and Budgeting (OSPB) has requested the Department of Personnel & Administration work with them to help clarify the mechanics of the pay date shift and determine the impacts of this proposal. The following questions and answers attempt to help do so:

Can this proposal be implemented without statutory change?
No. This proposal will require statutory change. Therefore, the exact impacts cannot be identified until the legislation is drafted. However, individual departmental impacts are being estimated now.

If there were statutory change, when would the proposed change take effect?
It is the Governor's intent to shift the June 2003 payday to the 1st working day in July 2003.

How exactly does this save the State money and approximately how much will the State save?
This saves the State money by deferring the cost of the June '02 payroll until FY '03–'04. In other words, for FY '02–'03 there will only be 11 monthly pay periods; however, in all subsequent years there will be 12 monthly pay periods. This will result in an estimated General Fund savings of $134 million. OSPB is working with departments to refine this initial estimate.

What might happen if the State does not implement this proposal?
Without implementation there would almost certainly be further need for reductions to department's budgets, resulting in further reductions in services and perhaps the need to close certain programs. Such reductions could also result in a significant number of layoffs in the state workforce. As mentioned earlier, the Governor specifically put forth this proposal because it helps mitigate the impacts on citizens, services and state employees.

What are some of the potential impacts on state employees if the change were made?
Rather then being paid on the last working day of the month, employees will be paid on the first working day of the following month. This could be as late as the 4th of if say, for instance, a holiday fell on a Friday or Monday. The change may require employees to modify automatic bill-paying deductions from their bank accounts or make arrangements to ensure child support payments are on time. Employees who contribute to a deferred compensation account may have to modify their contribution amount to maximize the taxable benefits.

These impacts don't sound too bad, but if I'm only getting paid 11 times, then is the State is taking away a month's pay, right?
No. This proposal does not cheat employees out of a month's pay. For every month an employee works, an employee will get paid. You just won't get paid in the same month. This is a common practice for many employers. In the transition year (the 2003 calendar year), all employees may show one less month of reportable income for tax purposes, lessening each state employee's tax bill for the year.

Will this change impact the highest average salary calculation used to determine PERA retirement benefits, service credit, date of retirement or match under the MatchMaker Program?
No. This proposal would not affect a member's earned service credit, highest average salary, effective date of retirement or match under the MatchMaker Program. The proposed change could result in some concerns for PERA's 401(k) Plan but they can be reasonably addressed at this time.

Imagining Tomorrow's Colorado State Workforce

By Troy A. Eid
Executive Director, DPA

What do we want Colorado's state workforce to look like a decade from now?

We must dare to imagine better times ahead, even when today's budget challenges threaten to distract us. As Colorado's largest employer, the State has an obligation to plan both for the current *and* future needs of nearly 70,000 full- and part-time employees scattered across 64 counties.

The legislative process, with its heavy emphasis on annual budget cycles, puts a premium on identifying and addressing the shorter-term needs of the Colorado state workforce. This is of course necessary and appropriate. Yet all three branches of state government – the General Assembly, the Governor and his cabinet, and the Judiciary – should also develop a shared vision for tomorrow's state workforce, along with a set of mutually reinforcing strategies and policies to help get us there.

Trends Shaping Our Workforce

Three major trends will shape Colorado's state workforce in the months and years ahead: Massive upcoming state retirements; a systematic failure to retain younger employees; and a constitutionally frozen civil service system that prevents employees from getting the tools they need to do their jobs and manage their careers.

1) An unprecedented number of experienced employees will retire from state service during the next several years.

Like most other states as well as the federal government, Colorado's state workforce grew most rapidly in the 1970s and early 1980s, during an era in which government at all levels tended to grow more rapidly than the rest of the economy. As a result, Colorado now has a "retirement bubble" of employees who joined the state workforce during those years and who will retire soon. *Roughly 40 percent of the State's entire workforce will retire during the next seven years.* In some parts of State government, that retirement rate will exceed 50 percent.

The inevitable prospect of large-scale retirements presents a real challenge to the State in terms of "succession-planning," the process of attracting and retaining those employees who will take the reins from those who retire. The State's responsibility as an employer is to develop systems and training that capture at least some of the "knowledge base" that will otherwise walk out the door when these veteran state employees decide to leave. This is never an easy task, even in the best of times, but will be made even more difficult by the sheer magnitude of the personnel shift that will soon take place.

2) A record number of younger employees are leaving the state workforce after only a few years of service.

During the past five years or so, something significant has happened to Colorado's state workforce: *The State is no longer able to retain newer and typically younger employees for more than an average of three years.* This development has two potentially far-reaching consequences.

First, the employees who are leaving the workforce are in many cases those men and women who the State needs desperately to retain: the higher performers who, like those who have gone before them, would otherwise be expected to rise over time to leadership positions throughout the state system. When asked why they are abandoning the state workforce for jobs elsewhere, departing employees typically cite one decisive factor: The State's failure to provide a "total compensation" package that includes health-insurance benefits, as well as salary and performance pay adjustments, that are competitive with other comparable employers.

Ironically, this systematic failure to retain younger employees undercuts the State's ability to offer more affordable insurance rates to those who remain in our workforce.

The average age of Colorado's classified state workforce is now 46 years old – apparently an all-time record. This is substantially older than would have been predicted even with the "retirement bubble" discussed above. Because insurance is the business of spreading risk over a group of employees, a relatively older pool means higher rates for everyone.

There will probably always be at least some younger people eager for state jobs. But that's not the point. The point is this: Is the State of Colorado really serious about attracting and retaining the *right* people for tomorrow's workforce? Do we just want to fill vacancies? Or should we be committed to recruiting and keeping men and women of the same quality and potential as the top performers in our current workforce?

If we are indeed serious about the future, we must understand the reasons why many of our best younger employees are leaving – the State's comparatively small health insurance benefit looming by far the largest of all – and do something about it. A middle-income state employee on one of our health plans (excluding Kaiser) currently spends nearly 10 percent of his or her entire after-tax monthly paycheck on health insurance coverage. *Unless the State's total compensation system is reformed, that amount will rise to nearly one-third of employees' monthly income by 2005.*

3) Colorado's constitutionally frozen civil service system is failing to provide our employees with the tools they need to do their jobs.

Added to the state Constitution in 1918, Colorado's civil service system was largely designed to replace a politically motivated "spoils system" in state politics with a merit system to protect employees' employment rights through competitive examinations. In these two respects, the current system serves Colorado well. The spoils system deserves its place on the ash heap of history. Hiring civil service employees competitively, based on real qualifications instead of political connections, is in the enduring interest of employees and taxpayers alike.

Yet many other aspects of our constitutionally frozen civil service system are hurting the very employees they are supposed to help. The nation's most stringent prohibitions against privatization, for instance, mean that Colorado state employees now lack many of the basic tools they need to perform their jobs and will for the foreseeable future.

As a result, many of the basic computer systems state employees depend on daily – systems covering everything from employment records and human resources information to financial management, payroll and accounting – outlived their useful life expectancy years or even decades ago, with no plan or realistic possibility for replacement even in robust budget years. Contrast Colorado's neglect of basic electronic infrastructure with many other states, which have already outsourced these tools to private companies whose business it is constantly to maintain and upgrade their system capabilities.

In other states, employees routinely log on to check their personal benefits portfolio (such as training records, accumulated leave time and retirement). Newer employees to Colorado's workforce are stunned that the State lacks such a basic system. What is even more shocking is that the State has no plan to develop such capabilities. Our constitutional restrictions against privatization, which usually prevent outsourcing of functions that state employees have traditionally performed, make it all but impossible to finance such improvements. As an employer, this is just one more self-inflicted competitive disadvantage that will hamper the State in the years ahead unless we reform our civil service system.

Last year, the State of Florida moved to outsource and modernize many of its financial and human resources systems. This added millions of dollars of private investment to the current and future needs of the state workforce. The relatively few state employees affected by this outsourcing agreement had the choice of joining the private contractor or being reassigned within Florida's civil service system at equal or higher salaries. This reform has earned high marks from citizens as well as state employees who finally have modern electronic tools to do their jobs and track their own careers.

If Colorado voters agree, our state Constitution could be amended to bring the same benefits to state employees here. The only thing that could possibly distract us is fear – a fear to use our imagination to build a civil service system that is finally worthy of Colorado state employees in the 21st Century.

As Executive Director of the Colorado Department of Personnel & Administration, Troy A. Eid is the chief administrative officer for Colorado's $13.6 billion state government.

GOVERNOR, from p. 1

I am also requiring all departments – except Corrections and Medicaid – to reduce expenditures by an additional six percent. There would be no additional reductions in the Department of Corrections budget and the Medicaid budget would be reduced by three percent. As has been the case in previous budget reductions, K-12 education total program and categoricals, the developmental disability program and the School for the Deaf and Blind would be exempt.

Colorado is not alone in facing a drop in revenue. Because of the national recession, revenues are down substantially in all but seven states. California recently laid off 7,000 state employees, Iowa furloughed 50,000 workers and Massachusetts, Missouri and Nebraska eliminated Medicaid coverage for some families.

Because we have not engaged in excessive spending as seen in other states, Colorado is far better positioned to weather these tough economic times and to rebound stronger than ever.

FAQ, from p. 2

Q: With over 30,000 state employees, why do we get such bad insurance rates and coverages?

A: The State's rates are due to the answer stated above as well as the fact that state employees and their dependents have high utilization. In other words, we use a great many services. As an example, one of the state's healthcare plans had approximately 270 times that a particular service was provided to state members in one year; the next year that same service was provide 580 times. This is only one of thousands of possible services and procedures. When the number of services increase so do our costs; if the cost of that service is increasing at the same time that number of times that service is provided is also increasing - someone has to pay. And it will always come back in the rates.

Our original overall premium increases ranged from 22 - 78%. The only way we were able to keep the overall premium increases to around 20 - 22% was by making major changes in the coverage levels. As employees pay more of the actual cost per service, the associated premium goes down.

The most important point to remember is that though our rates are high, the amount that the State, as our employer, is contributing is far below what is considered prevailing in the market place. As an example, the market says that an employer's prevailing contribution for family coverage is approximately 68% of the total cost of that premium; but the state is only paying 38 - 45% of that cost. The State is contributing far less than the prevailing market level which means that our employees are picking up premium costs that are a great deal higher than the market.

Q: Why do different state agencies have different insurance policies?

A: The state contracts with health carriers and requires each carrier to offer its healthcare plan in all of the counties that the carrier is licensed in with the Division of Insurance. As an example, we contract with PacifiCare and we require that PacifiCare offer its healthcare plan in all of the counties in which it is licensed by the Division of Insurance. PacifiCare, however, is not licensed in every county so we can only offer it in those counties where it is licensed. The same with Kaiser and San Luis Valley HMO. Neither of them are licensed in every county so we can only offer them in the counties in which they are licensed. Rocky Mountain HMO on the other hand is licensed in every county in Colorado, so we can offer them statewide. Anthem PPO and Anthem EPO are licensed as an Insurance Company (not an HMO) by the Division of Insurance and are licensed statewide, so we can offer these two plans statewide as well. However, where we offer these plans, it is the same plan for every agency that is located in the area where the healthcare plan is offered. We do not offer one PacifiCare plan to one agency and a different PacifiCare plan to another agency. Every state agency and every state employee gets the same PacifiCare plan in all of the counties in which we are able to offer PacifiCare.

All elected officials have the same exact healthcare plans and rates offered to them as the rest of the eligible state employees through the Department of Personnel and Administration (DPA). The plans they can choose from are based on their residence just like all other eligible state employees through DPA.

Each higher-ed institution offers their own faculty and non-classified employees healthcare plans that the higher-ed institutions have developed. The coverage offered through DPA is offered to the classified employees of each higher education institution and they get the same plans and rates as any other eligible classified state employees through DPA.

Q: Other states and private companies have better rates and insurances than Colorado, why?

A: The most important factor related to Colorado's rates compared to other states and private companies is the fact that the State of Colorado's contribution towards the total premium is far below the prevailing level of contribution. Many other States and private companies are paying more towards the cost of the total premium, thus their employees are paying less than the State of Colorado employees are required to pay.

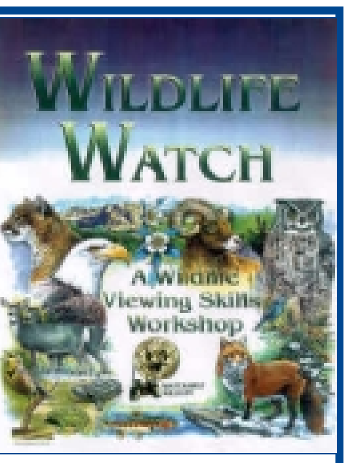
GIVING, from p. 1

canned fruit/vegetables, peanut butter, and baby food. Toiletries and laundry soap are needed as well. Keep in mind that supermarket gift certificates are a terrific way to provide food and allow the recipient to choose what they need most.

During the past year, C-SEAP has provided food and money to over 500 state employee families. Some lost their homes due to Colorado wildfires; some were confronted with unexpected medical expenses; others were faced with choosing between paying their electric bills and feeding their children. In one case, the mother of four children left a severely abusive relationship, relocated her family, and managed to keep her job with C-SEAP's help. The program provided enough food for three weeks; a generous check to help pay for rent; supportive counseling; and consultation with the employee's supervisor regarding ways to help keep this employee safe at work. C-SEAP received a note from one of the children saying, *"Thank you for helping our Mom."*

For more information, please contact the Colorado State Employee's Credit Union (CSECU) at 303-832-4816 or 1-800-444-4816 or the Colorado State Employee Assistance Program (C-SEAP) at **303-866-4314** or **1-800-821-8154.**

Attend Wildlife Watch Free



Wildlife Watch is a wildlife viewing skills workshop designed by the Watchable Wildlife program of the Colorado Division of Wildlife, Department of Natural Resources. **State employees and family members** (adults and children over 12) are invited to attend any workshop **free of charge!** Participants need to register for Wildlife Watch hotline online or by phone. The workshop dates, times and places are detailed on both the Web site and phone line. When you sign-up, be sure to let us know that you are a state employee and tell us how many are coming. Either four or eight hours in length, each Wildlife Watch workshop culminates with a group field trip where participants can try out their newfound skills at a local park or open space. Public workshops are held regularly at various sites statewide..

Register on line at **www.wildlifewatch.net**
or by phone: **303- 291-7250**